

**Testimony of James Oliver, Transition Education Specialist,  
Horizons, Incorporated, South Windham, Connecticut**

**to the**

**Appropriations Committee**

**HB 5030 AN ACT MAKING ADJUSTMENTS TO STATE EXPENDITURES  
FOR THE FISCAL YEAR ENDING JUNE 30, 2015**

**February 18, 2014**

Good evening Senator Bye, Representative Walker, and honorable members of the Appropriations Committee. My name is James Oliver. For the past eleven years I have been an employee at Horizons, a private nonprofit agency and business located in South Windham. Our agency has been in operation for 35 years, and provides individualized supports and services for people with special needs where they live, learn, work and play. Horizons is a member of the Connecticut Association of Nonprofits.

I speak before you in support of HB 5030 "AN ACT MAKING ADJUSTMENTS TO STATE EXPENDITURES FOR THE FISCAL YEAR ENDING JUNE 30, 2015." State Budget Director Ben Barnes recently announced that the State will end the 2014 fiscal year \$506 million in the black.<sup>1</sup> It is Horizons' contention that a portion of the State's budget surplus should be appropriated to provide a 7% increase in funding for all health and human services Purchase of Service (POS) contracts, and relevant Medicaid fee-for-service accounts for the 2015-2016 fiscal years.

Nonprofits are enterprises that deliver high quality programs and services to consumers while also sustaining workers through earnings and benefits. These dual functions necessitate investment of resources similar to corporations that develop new product lines for clients. Nevertheless, over the past twenty years, nonprofits in Connecticut have been underfunded. The deficiency of funds has led a majority of nonprofits to their breaking point; meaning, they will no longer be able to meet demand for services, or they will be forced to shut down.<sup>2</sup>

This was demonstrated by the closing of Camp Hemlocks last year. Camp Hemlocks' closure left Horizons as the ONLY year round residential camp program for people with developmental disabilities in the State. We support people of all ages all year long. Often, we are the ONLY respite families receive. This committee needs to recognize that when nonprofits fail, the void in services falls on other nonprofits, or worse yet, the State. This is notable, because when the State provides direct care in human services, the price tag is roughly two and a half times as much as it would have been for a

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<sup>1</sup>Stuart, Christine. "CT News Junkie," CT News Junkie, [http://www.ctnewsjunkie.com/archives/entry/2014\\_surplus\\_doubles\\_going\\_into\\_an\\_election\\_year/](http://www.ctnewsjunkie.com/archives/entry/2014_surplus_doubles_going_into_an_election_year/) (accessed January 29, 2014).

<sup>2</sup>Connecticut Association of Nonprofits, "Partners in Prosperity: A Report that Examines Why Nonprofits are Essential to a Healthy Economy in Connecticut" (Connecticut Association of Nonprofits, 2013) 4.

nonprofit. Those savings to the State should be re-invested in nonprofits' programs, infrastructure, and personnel.<sup>3</sup>

However, the State continues to promote inefficiencies in its delivery of services by rewarding State employees, and undervaluing nonprofit employees. For instance, the Consumer Price Index (CPI) shows that over the past five years the inflation rate has increased by 10.5%, while simultaneously there has only been a 1% increase in nonprofit employees' wages. In contrast, State employees performing analogous work have seen their wages increase by a margin more akin to the CPI.<sup>4</sup>

The White House Office of Management and Budget (OMB) recently stated that nonprofits' indirect costs are valid. OMB also specified that state and federal agencies are required to repay nonprofits indirect costs by directing the federally negotiated indirect cost rate to nonprofit organizations.<sup>5</sup> This statement by OMB is overdue, because 77% of Connecticut's nonprofits recently reported that government (state and federal) payments do not cover the actual expenses for services rendered, and half of nonprofits reported delinquent payments from government bodies which contributed to deficits.<sup>6</sup>

In conclusion, I commend the Governor's efforts to reach out to the nonprofit community through the creation of the cabinet-level position of Nonprofit Liaison, and the formation of the Governor's Cabinet on Nonprofit Health and Human Services. However, these olive branches are not enough to quell the underlying sentiment from nonprofit agencies that there is an inequitable expectation on the part of the State that nonprofits can continue to perform at a high level with ever-diminishing funds to function. This committee has the power to channel the projected surplus in the State's budget towards improving the viability of nonprofit organizations. In doing so, the State will provide a stimulus to the job market/local economy, increase the standard of living for nonprofit employees, save billions of dollars over what they would have otherwise spent, and improve services/facilities for direct-focus people. Thank you for your time.

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<sup>3</sup>Ibid.

<sup>4</sup>Ibid.

<sup>5</sup>National Council of Nonprofits, "New OBM Guidance on Indirect Costs: What It Does and Why It Matters," (National Council of Nonprofits, 2014) 1.

<sup>6</sup>Connecticut Association of Nonprofits, "Partners in Prosperity."